

BJC Cost Model Overview

Bechtel Jacobs Company LLC (BJC) is a limited liability company whose predominant business base lies in its Management and Integration (M&I) contract with the Department of Energy, Oak Ridge Operations Office

BJC cost accounting system is most closely categorized as an actual cost-job order system. All types of direct cost, such as labor, materials, subcontracts, and other direct costs are charged directly to jobs (projects) on an actual cost basis when they can be directly identified to jobs.

A work breakdown structure (WBS) is implemented for all work. WBS provides a uniform method to authorize and control all work. For each job a charge number is provided to identify both the source of funding (direct funded or indirect) and the job's assignment within the WBS.

BJC maintains the following indirect/ODC pools:

Fringe benefits

Expenses accumulated in this pool are amounts of fringe benefits provided for all employees and related labor costs based on or associated with the gross earnings of all personnel. The costs in this pool are allocated to all time worked, direct or indirect, as a percentage of gross pay less absences.

Service centers

This category of costs contains all costs associated with providing a particular service or product that is distributed to users on a unit usage basis.

Support activities

This category of cost includes all costs for internally provided services or products that have not been treated as service centers. These costs are allocated to final and intermediate cost objectives as a percentage of the respective total cost plus allocated service center costs.

Institutional Direct Distributables

These costs are project control/oversight costs that cannot be identified to a single watershed or major project.

They are therefore outside of the control of the individual manager of projects. These

Site Overhead

There are three site overhead pools, one each for Oak Ridge, Paducah, and Portsmouth. The costs in these pools are site related and benefit all project activity on that particular site.

The costs are allocated to all final cost objective activity performed on the site as a percentage of the total of direct cost plus allocated service center, support activities, and institutional direct distributables.

G&A

The costs in this pool are those that benefit the entire Bechtel Jacobs Company mission, regardless of where the work is performed and whether or not it is within the primary EM scope of activities. The allocation base for G&A is total cost input of all final cost objectives.

Fringe, support activities, site overheads (Oak Ridge, Paducah, and Portsmouth), general and administrative (G&A), Institutional Direct Distributables (IDD) and various service center pool rates are established as annual rates. Subsequent rate adjustments occur as necessary.

Management FEE

Fee earned for management of the DOE contract is allocated to all final cost objectives (except Work for Others) based on first-occurrence cost plus all indirect cost allocations. Fee is accrued on the basis of estimated performance and adjusted to final performance fee earned. This allocation occurs near the end of the monthly cost cycle.

RATE APPLICATION

Fringe benefits and service centers rates are allocated to applicable cost objectives based on the specific type of base cost (i.e. payroll and usage of services, respectively).

Support Activities, IDD, Site Overhead, and G&A make up our Indirect Pools allocation and are calculated in sequence in order to maintain the proper cost basis. Certain pools allocated cost are included in the base for the subsequent pool – see explanations above. By nature, this causes the rates to be inter-related and multiplicative when trying to calculate a composite rate or when attempting to access the cost impact of some type of funding change. Changes to each pool within the cost structure must be considered in total because the basis for one pool may include the allocated cost of the other pools. Management Fee is the last step in the indirect allocation process.

Specific Rate Scenario – APPLICATION OF INDIRECT CHARGES TO
TEMPORARY OFF-SITE EMPLOYEE LABOR COSTS:

For the question raised by FMSIC regarding application of indirect charges to temporary off-site employee labor cost, the applicable indirect allocations for off-site assignments are fringe benefits, support activities, and G&A. Since this is a temporary assignment, we are assuming that the employee will maintain their office and equipment on-site during their absence (hence, the inclusion of the support activities pool).

Current FY 2001 Rates are as follows:

Fringe Pools (avg)	49.4%
Support Activities	8.40%
Inst. Direct Distrib (IDD)	2.27%
Site Overhead – ETPP	1.35%
G&A	3.51%
Fee	4.02%

Illustration of Comparison between On-site costs and Off-site costs:

	On-Site -----	Temporary Off-site Assignment -----
Direct Salary@	\$ 100	\$ 100
Fringe Benefits	49	49
Other Indirect Allocation	<u>31</u>	<u>18</u>
Total Indirects	80	67
Total “Billed” Cost	\$ 180	\$ 167